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China, Peoples Republic of

Canned Deciduous Fruit

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Report Highlights:

China's canned peach production is forecast at around 206,500 MT in MY 2005/06, and canned pears 49,500 MT, canned mixtures 11,100 MT, and canned apricots 3,940 MT. Most canned fruit produced in this country is exported except for yellow peaches. However, China is not yet a major supplier of canned fruit, yellow peaches in particular, and is not expected to become one in the short run given small operation of individual cannery and lack of sizable yellow peach orchards.

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Executive Summary

China has no official data on canned fruit production. Post forecasts canned peach production of 206,500 MT in MY 2005/06, of which yellow peaches account for more than 75 per cent. Canned pear production is forecast at 49,500 MT in MY 2005/06. Canned apricots and mixtures production is forecast at 3,940 MT and 11,100 MT, respectively.

Canned fruit, except for yellow peaches, produced in China is primarily for export, as Chinese people do not consume canned fruit routinely. Prices of Chinese canned fruit remain low as labor and raw fruit are abundant and cheap. Many canneries contract with foreign manufacturers or retailers to produce canned fruit using their brands.

The central government provides no special policies or financial aid to this sector, which is mostly privately owned. Some local governments may support the local canning industry by adopting preferential tax policies or by helping farmers contract with canneries in planting fruit trees. The canning enterprises in general lack the strategies and resources to market their products globally.

There exist many fruit canneries in China but most of them run at a capacity of less than 10,000 MT a year. Production costs including labor, sugar, tin, and water, are low but rising. Yellow peach area is increasing but the total acreage is still small. Although it exports an increasing amount of canned fruit in recent years, China is not a major supplier of canned fruit on the world market and, barring substantial additional investment, is unlikely to become one in the near future.

Production**Canned peaches maintain steady increase but yellow peach acreage grows slowly**

China produces both yellow and white canned peaches. Official data on canned fruit production is not available. Post forecasts canned peach production at 206,500 MT in MY 2005/06. More than 75 per cent of the canned peaches are yellow varieties and the remainder white varieties. Production in 2004/05 is estimated at 200,500 MT, slightly down from export peak in 2003/04 when world supplies fell short on bad crop in major producing countries.

Yellow peaches are produced mainly in Liaoning, Hubei, Anhui, Zhejiang, Shandong, Zhejiang and Beijing provinces and municipalities. White peach production is located mainly in Hebei, Liaoning and Shandong. Yellow peaches are used mainly for canning purposes and very few are consumed fresh. Although yellow peach area has increased recently, production is less than 5 per cent of total peach output. The yellow peach crop delivered to processors is expected to exceed 230,000 MT in MY 2005/06. Canning enterprises do not own their own trees: they normally contract with or purchase from small farmers who own a farmland of less than a hectare. Only when a cannery becomes big enough and has developed reliable customers can it start considering contracting sizable commercial orchards.

Canned pear production is also growing, mainly for exports

In MY 2005/06, China is forecast to produce about 49,500 MT of canned pears, mostly Bartlett type pears but crispy-flesh "snow pear" production is growing. Canned pear production in MY 2004/05 was estimated at 46,000 MT. Canned pears are centered in Hebei and Shandong provinces where pears are abundant. Canneries do not need to contract with farmers, but they go directly to farmers to purchase raw fruit.

Production of other canned fruit, such as canned mixtures and apricots, is quite small. The volume is forecast at 11,100 MT and 3,940 MT, respectively, in MY 2005/06. The increase of canned mixtures is attributed to demand from both domestic and world markets. Changes in canned apricot production are minimal.

Increase of raw material cost has made profits thinner

The purchase prices for fresh yellow peaches has risen more than 20 per cent in recent years, driven by growing demand from canning industry. When canned peach supplies on the world market dropped dramatically in MY 2003/04, farmers received a record 3 to 4 RMB per kilo (US\$1=RMB8.265). The prices dropped to 2 to 3 RMB per kilo in MY 2004/05 due to a rebound of production by major producing countries.

Because white peaches are widely available in northern China, the purchase prices have remained quite stable in recent years. The average price paid to farmers is 1.2 RMB per kilo. Despite the different purchasing prices of yellow and white peaches, canning companies say that the production cost is similar as the standard for producing white peaches, mainly exported to Japan, is higher.

Fresh pears are cheap and easily available. Canneries can get the raw fruit at around 1 RMB per kilo. Meanwhile, costs of other raw materials such as cans and sugar is increasing, resulting in less profit. Also, labor forces that once were abundant have begun falling short in some coastal areas.

White peach quality is satisfactory but yellow peaches need improving

Industry sources indicate that raw fruit sourced for canning is generally of better quality than that for juicing because buyers normally have requirements about shape and color of the fruit. Quality of white peaches remains high, but yellow peaches produced in China are often

small sized with thin flesh. The industry is considering introducing better varieties from other major producing countries. In China, producing one MT of canned peaches needs 1.4-1.6 MT of fresh peaches. Industry people claim it is not difficult to produce canned white peaches as they use firm flesh ones that are handled similar to the yellow.

Number of canneries large but individual capacity small

There are 50-60 relatively large canneries in operation that produce a wide variety of canned fruit (including canned citrus and tropical fruit) and vegetables throughout the year. Peach production takes place from June to August. There are numerous small canneries across the country, some of which are illegal. Most operations do not have the capacity to produce more than 10,000 MT annually. The industry structure is not expected to change dramatically, as fruit-canning industry is heavily dependent on the world market and there seems no sign of shifting buying interest to China at this moment.

Large canneries normally contract with overseas buyers for private label goods, canned peaches in particular. In other words, many foreign manufacturers are using Chinese factories to produce their branded products. Only a small portion of the products uses Chinese brands. Lack of their own brand has prevented Chinese enterprises from seeking higher profits or marketing their own products directly to consumers. Moreover, shrinking profits due to increased production cost would further prevent expansion of the industry. The central government has no restriction on foreign investment in this sector. However, aside from contracting Chinese factories to produce canned fruit with their brands, Post has not heard of any foreign enterprises or joint ventures being set up in fruit canning in China. Since many Chinese canneries place their production on orders, the end-year stocks are almost zero.

Consumption

Consumption grows at slow pace on food safety concerns

Although the overall consumption of canned fruit in China is growing slowly, the higher-income households for example, have begun to eat more processed foods. The majority traditionally prefers fresh fruit to preserved, often due to food safety concerns. The average Chinese people tend to believe canned fruit contains preservatives, and the media exposes about shoddy canned fruit made by small canneries have further damaged the industry reputation. Yellow peaches are the most commonly consumed canned fruit and the consumption has been quite stable. Canned mixtures are a new product to Chinese and the consumption growth is picking up. However, local consumption is mostly tropical mixtures. Chinese canneries have developed very few brands known to consumers. Hotels and restaurants buy some canned fruit; confectionaries and bakeries are another major consumer of canned fruit for making jellies and birthday cakes. With the exception of yellow peaches, of which two-thirds of the production is consumed domestically, domestic consumption accounts for only a small percentage of canned fruit produced,. Imported canned fruit is served in fancy hotels or sold to foreigners and a small number of high-income Chinese households.

Trade

Exports to the world are increasing yet not a major supplier

Chinese canning industry survived a price war launched by major producers after their production recovered in 2004 from a bad crop in 2003. Chinese canneries are trying to hold on what they have achieved and hoping to gain more share this year. Canned yellow peach exports to Europe, the U.S., Japan, and Middle East in 2005/06 are expected to perform better than last year. Most white peaches produced in China are exported to Japan and the volume remains stable. Europeans buy Chinese canned pears for making fruit cocktails and they are expected to buy more "snow pear" this year. China saw strong canned mixtures exports to the United States in 2004/05, the momentum is likely to continue. China

Customs does not differentiate canned deciduous mixtures from canned citrus mixtures or canned tropical mixtures; therefore the trade table may include substantial quantities of canned mixtures other than canned deciduous mixtures. China has yet to become a major supplier of canned fruit, and it may take three to five years before Chinese canning industry integrates and consolidates enough strength to compete with other major players. China does import a small amount of canned fruit from major producing countries like South Africa and Greece for high-end consumers.

Prices

Both retail and export prices remain low on cheap labor and raw materials

Domestic prices of canned fruit are going up due to increased cost of production. However, industry sources indicate that export prices of canned fruit have remained stable to lower. The export FOB unit prices for canned peaches (yellow and white) range from 6,000 RMB/MT (1 kg pack) to over 7,000 RMB/MT (3 kg pack) depending on can sizes. Chinese customs data indicate the average export prices have remained stable over the past three years. Imported canned fruit is not available in most supermarkets and the varieties are very limited. Imported products cost much more than locally produced ones.

Policy

Government provides no special support, most operations being private and small

An industry source believes the Chinese canning industry is fragile. Although many canning enterprises are in operation, the average size remains small. A major cannery in Shandong province produced 15,000 MT of combined fruit and vegetables in 2004. The company's total capacity does not exceed 20,000 MT. The majority of canneries are privately owned. The general policy of the Chinese government supports fruit processing, yet it does not provide any special assistance to this sector. Like other companies that export agricultural products, canneries enjoy a 13 per cent VAT rebate after their products are exported. Provincial or local governments may provide some preferential policies to support leading agro-businesses including canneries, such as preferential in taxation. However, these incentives depend entirely on local economic strength.

Import tariffs for canned fruit reached final bound rates in 2004 under the tariff reduction schedule committed in China's WTO accession protocol (see table). These duties are not expected to change. Imported canned fruit also pays an import VAT of 17 per cent.

China has more than 20 standards that deal with different kinds of canned fruit. Many are overlapping or outdated. The National Technical Committee on Food Industry Standardization is planning to merge existing standards into one that governs all types of fruit except for peaches. The new standard is expected to be issued by the end of 2007.

Marketing

Marketing target world market but lacking resources and strategies

Chinese canneries do not target domestic markets for their products, as Chinese people traditionally do not eat much canned fruit. There may be a very limited space reserved for canned fruit in most supermarkets. Canning companies complain that large supermarkets require "slotting fees" for any commodities that want to be sold in such markets. Canneries normally sell their products to a distributor or large retailer that has access to the market. TV commercials or newspaper advertisements about canned fruit are rarely seen. Canneries sometimes attend national grocery fair or post information on the web. Chinese canneries focus on the international market and attending international food shows seems to be their major channel of marketing their products overseas.

For more information about marketing and new developments related to canned fruit in China, contact the following USDA Agricultural Trade Offices:

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Tables**Import Tariff and VAT for Canned Deciduous Fruit in 2005**

HS Code	Description	Tariff	VAT
20084010	Pears, in airtight containers	20%	17%
20085000	Apricots, prepared or preserved	20%	17%
20086000	Cherries, prepared or preserved	20%	17%
20087010	Peaches/nectarines, in airtight containers	10%	17%
20089200	Mixtures, prepared or preserved	10%	17%
Source: China Customs			

Production, Supply, and Demand (PSD) Tables

Canned Peaches

PSD Table						
Country	China, Peoples Republic of					
Commodity	Peaches, Canned				(MT)(MT, Net Weight)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		06-2003		06-2004		06-2005
Deliv. To Processors	0	315000	0	300750	0	309000
Beginning Stocks	0	0	0	0	0	0
Production	0	210000	0	200500	0	206500
Imports	0	4174	0	5135	0	4300
TOTAL SUPPLY	0	214174	0	205635	0	210800
Exports	0	80628	0	71090	0	75000
Domestic Consumption	0	133546	0	134545	0	135800
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	214174	0	205635	0	210800

Import Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Peaches, Canned		
Time Period		Units:	MT
Imports for:	2003		2004
U.S.	2045	U.S.	3735
Others		Others	
South Africa	1337	South Africa	1035
Greece	556	Greece	238
France	54	Japan	36
Argentina	51	China	36
China	46	South Korea	2
Thailand	33		
Philippines	19		
South Korea	13		
Morocco	11		
Australia	4		
Total for Others	2124		1347
Others not Listed	0		0
Grand Total	4169		5082

Export Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Peaches, Canned		
Time Period		Units:	MT
Exports for:	2003		2004
U.S.	4692	U.S.	8633
Others		Others	
Japan	32654	Japan	36733
Germany	15978	Russia	4960
Czech Republic	3865	Yeman	3890
Russia	2810	New Zealand	2157
Greece	2078	Thailand	2036
Poland	2067	Saudi Arabia	1307
Yemen	2037	Australia	1288
Thailand	1572	South Korea	1178
Saudi Arabia	1566	Czech Republic	959
Estonia	1493	Canada	948
Total for Others	66120		55456
Others not Listed	9816		7001
Grand Total	80628		71090

Canned Pears

PSD Table						
Country	China, Peoples Republic of					
Commodity	Pears, Canned				(MT)(MT, Net Weight)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		06-2003		06-2004		06-2005
Deliv. To Processors	0	60800	0	73600	0	79200
Beginning Stocks	0	0	0	0	0	0
Production	0	38000	0	46000	0	49500
Imports	0	0	0	37	0	50
TOTAL SUPPLY	0	38000	0	46037	0	49550
Exports	0	22713	0	29985	0	33000
Domestic Consumption	0	15287	0	16052	0	16550
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	38000	0	46037	0	49550

Export Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Pears, Canned		
Time Period		Units:	MT
Exports for:	2003		2004
U.S.	10569	U.S.	12446
Others		Others	
Germany	4039	Germany	5004
Greece	2050	Thailand	1577
Yemen	1117	Spain	1338
Canada	1000	Greece	1155
Netherlands	742	Canada	934
Estonia	727	Japan	886
Japan	352	Yemen	659
Russia	313	Russia	641
Poland	305	Czech Republic	571
Czech Republic	223	Netherlands	429
Total for Others	10868		13194
Others not Listed	1276		4345
Grand Total	22713		29985

Canned Apricots

PSD Table						
Country	China, Peoples Republic of					
Commodity	Canned Apricots				(MT)(MT, Net Weight)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		06-2003		06-2004		06-2005
Deliv. To Processors	0	5460	0	4940	0	5120
Beginning Stocks	0	0	0	0	0	0
Production	0	4200	0	3800	0	3940
Imports	0	546	0	356	0	260
TOTAL SUPPLY	0	4746	0	4156	0	4200
Exports	0	3705	0	3045	0	3100
Domestic Consumption	0	1041	0	1111	0	1100
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	4746	0	4156	0	4200

Export Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Canned Apricots		
Time Period		Units:	MT
Exports for:	2003		2004
U.S.	0	U.S.	17
Others		Others	
Germany	2404	Germany	1067
Czech Republic	374	Russia	553
Canada	248	Czech Republic	416
Russia	219	Australia	270
France	176	Canada	244
Belgium	88	Netherlands	108
Japan	41	Israel	88
Australia	35	New Zealand	77
Poland	35	Estonia	54
Netherlands	18	Japan	41
Total for Others	3638		2918
Others not Listed	67		110
Grand Total	3705		3045

Canned Mixtures

PSD Table						
Country	China, Peoples Republic of					
Commodity	Canned Mixtures				(MT)(MT, Net Weight)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		06-2003		06-2004		06-2005
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	0	6200	0	9400	0	11100
Imports	0	491	0	913	0	1200
TOTAL SUPPLY	0	6691	0	10313	0	12300
Exports	0	4429	0	7757	0	9300
Domestic Consumption	0	2262	0	2556	0	3000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	6691	0	10313	0	12300

Import Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Canned Mixtures		
Time Period		Units:	MT
Imports for:	2003		2004
U.S.	0	U.S.	6
Others		Others	
Philippines	327	Philippines	538
Thailand	103	Thailand	363
South Africa	58	France	3
		South Africa	2
Total for Others	488		907
Others not Listed	3		1
Grand Total	491		913

Export Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Canned Mixtures		
Time Period		Units:	MT
Exports for:	2003		2004
U.S.	1732	U.S.	2517
Others		Others	
New Zealand	956	Spain	702
Canada	413	Canada	680
Germany	208	Germany	620
Japan	150	New Zealand	323
Puerto Rico	122	Czech Republic	288
Yemen	114	Japan	283
Spain	99	UAE	205
Israel	98	Puerto Rico	187
UAE	74	Yemen	181
Russia	69	Netherlands	136
Total for Others	2303		3605
Others not Listed	394		1635
Grand Total	4429		7757